

U. S. TREASURY DEPARTMENT
Internal Revenue Service
Washington 25, D. C.

January 16, 1956

Alcohol and Tobacco Tax Division
Industry Circular No. 56-2

Storage, Shipment, and Delivery of Tobacco Materials

Dealers in tobacco materials and manufacturers of tobacco products:

1. The purpose of this industry circular is to call your attention to certain requirements and restrictions placed on the storage, shipment, and delivery of tobacco materials by the new regulations, Parts 270, 275, and 280 of Title 26 CFR (1954).

2. It has been brought to the attention of the National Office that certain dealers in tobacco materials and manufacturers of tobacco products are having tobacco materials stored in warehouses (other than those of qualified dealers in tobacco materials and manufacturers of tobacco products) which are not covered by the bonds as outside places of storage of such dealers and manufacturers. While 26 CFR 280.50 exempts warehousemen from qualifying as dealers in tobacco materials, nevertheless where such a warehouseman stores tobacco materials for a dealer in tobacco materials or a manufacturer of tobacco products, it is necessary for such dealer or manufacturer to set forth the warehouse as an outside place of storage, in connection with his qualification as such dealer or manufacturer and in accordance with the applicable provisions of regulations (26 CFR 280.61, 280.65, and 280.89; 26 CFR 270.156; and 26 CFR 275.145). The privilege of using such warehouses as outside places of storage is consistent with the intent of the new Code and regulations to provide dealers in tobacco materials and manufacturers of tobacco products with greater freedom in their operations, and to liberalize the controls and requirements formerly imposed, in connection with tobacco materials. The National Office is interested, primarily, in the movement and possession of tobacco materials rather than in ownership or title. Under the provisions of Sections 270.156 and 275.145 of regulations, Parts 270 and 275, manufacturers of tobacco products are permitted certain industry operations and functions beyond city, town, or State lines. However, for reasons of effective administration, such operations and functions have not been permitted to be extended beyond regional lines except in the case of outside places of storage of tobacco materials by dealers in tobacco materials.

3. Following the above concept, a qualified dealer in tobacco materials may be permitted to include in the premises of his establishment any buildings, or portions of buildings, in the same internal revenue region, to be used by him in carrying on such business, provided consolidated records are maintained by him, at one of the buildings comprising his establishment, of all tobacco materials

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received and handled under his bond and permit. On the other hand, the dealer may elect to exclude from the premises of his establishment any buildings in the same region in which his establishment is situated which he uses merely for the storage of his tobacco materials. Such buildings which are excluded from the premises of his establishment may be shown by the dealer as outside places of storage. In addition, a dealer is also permitted by the new regulations to cover under the bond and permit of his establishment any warehouses in the United States as outside places of storage, provided consolidated records of all tobacco materials received therein are maintained at the qualified establishment of the dealer. Similarly, a qualified manufacturer of tobacco products may be permitted to include in the premises of his factory any buildings or portions of buildings, in the same city, town, or village, to be used by him in carrying on such business. In addition, a manufacturer is also permitted by the new regulations to cover under his factory bond any warehouses, in the same region as his factory, as outside places of storage. Outside places of storage are restricted to the storage of tobacco materials (including fumigation of tobacco materials) since fumigation involves, primarily, the storage of tobacco materials). The premises of the establishment of a qualified dealer in tobacco materials or the factory of a qualified manufacturer of tobacco products may not be regarded or shown as an outside place of storage by other dealers or manufacturers. On the other hand, a warehouse intended to be used merely as an outside place of storage may be qualified by any number of dealers and manufacturers as an outside place of storage.

4. A qualified dealer in tobacco materials may show the premises of a warehouseman as an outside place of storage for his tobacco materials. Similarly, a qualified manufacturer of tobacco products may show the premises of a warehouseman as an outside place of storage for his tobacco materials that are located in the same region as the factory. However, where such warehouseman operates more than one storage warehouse in the same city, town, or village, it will be sufficient for the qualified dealer or manufacturer to show as his outside place of storage the principal warehouse address of the warehouseman to whom the tobacco materials are shipped for storage.

5. All tobacco materials stored by a dealer in the premises of his establishment for other qualified dealers or manufacturers of tobacco products should be included in the records of the storing dealer and such tobacco materials should be included in the records of the shipping dealer or manufacturer as shipped to the storing dealer. Similarly, when the tobacco materials are shipped out of storage, record of the shipment should be made in the records of the storing dealer, and record of the receipt of such materials should be made

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in the records of the dealer or manufacturer to whom shipped, when the tobacco materials are actually received in the latter's establishment or factory or outside place of storage.

6. In connection with the information set forth above, reference is made to Form 2093, Application for Permit, required to be filed by every person to qualify as a dealer in tobacco materials. Under Item 3 on this form, the applicant should appropriately set forth the location of each building, or portion of a building, in the same region to be included in the premises of his qualified establishment. The building of such establishment in which consolidated records of the dealer's operations will be maintained should be properly indicated by the use of the terms "Major location" or "Records maintained here."

7. Inquiries in regard to this industry circular should refer to the number thereof and should be directed to the appropriate Assistant Regional Commissioner, Alcohol and Tobacco Tax.

Dwight E. Avis

Dwight E. Avis
Director, Alcohol and Tobacco Tax Division

IRS-15987